

Internal Control Assessment FSA's Capitalization Thresholds

Purpose

To ensure that FSA capitalizes all assets acquired that have a useful life of more than one year above a designated dollar threshold.

Background

In accordance with the guidelines of OMB Circular A-11, FSA must record all capital assets in one of the standard capital object classes. FSA's Property, Plant and Equipment (PP&E) capitalization threshold has been established at \$50,000 for individual purchases/acquisitions, and \$500,000 for Bulk Purchases. Individual purchases/acquisitions shall be capitalized if the recorded asset has a useful life of two (2) years or more, and costs \$50,000 or more. Bulk Purchases shall be capitalized if the recorded asset has a useful life of two (2) years or more and costs \$500,000 or more. Capitalization/depreciation for single/individual and bulk purchases shall begin in the year the acquisition is complete.

The Federal Government must effectively manage its portfolio of capital assets to ensure that scarce public resources are wisely invested. Capital programming integrates the planning, acquisition and management of capital assets into the budget-decision-making process, and is intended to assist agencies improve asset management.

Capital assets are land, structures, equipment, intellectual property (e.g., software), and information technology that are used by the Federal government and have an estimated useful life of two years or more. Capital assets do not include items acquired for resale in the ordinary course of operations or items that are acquired for physical consumption, such as operating materials and supplies. Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease (regardless of whether title has passed to the Federal Government); through an operating lease for an asset with an estimated useful life of two years or more; or through exchange.

Internal Control Standard

FSA must have current policies and procedures for capitalizing its assets.

Assessment of FSA's Compliance*

We reviewed FSA's capitalization policies and determined that FSA is currently following OMB policy regarding dollar thresholds as a basis for considering an asset for capitalization.

**FSA CAPITAL ASSETS / VARIOUS CAPITALIZATION
THRESHOLDS:**

	<u>Tracking & Inventory</u>	<u>Capitalize & Depreciate</u>
Land	\$ X	Capitalize only
Land improvements	\$ X	\$ XX,XXX
Building	\$ X	\$ XX,XXX
Building improvements	\$ X	\$ XX,XXX
Construction in progress	\$ X	Capitalize only
Machinery & Equipments	\$ XXX	\$ X,XXX
Vehicle	\$ XXX	\$ X,XXX
Infrastructure	\$ XX,XXX	\$ XXX,XXX

* The actual testing phase including interviews and examination of sampled records has not yet occurred. This write-up is only a sample of what may be discovered during the testing phase of the FMFIA process.